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# National Refrigeration & Air Conditioning Products, Inc.

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Divisions: Continental Refrigerator National Comfort Products

## TESTIMONY OF BRIAN KELLY President National Refrigeration and Air Conditioning Products Before the International Trade Commission Hearing on the Impact of the Section 201 Safeguard Action on Certain Steel Products June 20, 2003

Good afternoon. My name is Brian Kelly, and I am President of National Refrigeration and Air Conditioning Products. We currently employ 175 people in our Bensalem, PA facilities (near Philadelphia). In the past several years we have been blessed with solid growth in employees, sales and profits. However, the past year (2002) and the current year (2003) have been a different story.

Two of our companies have been significantly affected by the section 201 steel tariff:

1. **National Comfort Products**, which manufactures thru-the-Wall Condensing Units, Heat Pumps, and Packaged Heating & Cooling Units. These products are sold into multi-family dwellings.
2. **Continental Refrigerator**, which manufactures Commercial Reach-In Refrigerators, Freezers, Prep Equipment and Bar Equipment for the Commercial Food Service Industry.

The Steel Safeguard Measures have had a very negative impact on our business and the commercial refrigerator business in general, which is a 2 billion + business in the states today. In the past 3 years, several foreign made (Korean Made) manufacturers have entered our market. Their products are made with foreign currency, foreign labor, and most notably foreign steel. Their products are shipped into the U.S. without taxes, duty, or steel tariffs. Needless to say, it is very difficult to compete with these companies. (I will discuss in detail – later – more about these companies).

In 2002 (May), we received a 54% increase on galvanized metal. Moreover, this 2 year contract was slated to run thru 2004. We were told that our metal was not available at our guaranteed price – but that higher priced metal (a 54% increase) was available. Also, at this time we were **not** assured that needs could be met in the future. Extra metal (at higher prices) had to be ordered just to make sure production lines would not stop.

Currently (2003), the galvanized pricing has softened. We are still buying it at a 34% increase from our May (2002) 2 year contract price, that has been broken. Material is plentiful – since the overall economy has softened and the influx of foreign refrigerators from Korea has taken market share.

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Financially, we are in a fearful position. Profits are falling. We are trying to sell more product (because of shrinking margins) to make less profit. This is a recipe for disaster. Our government, our elected officials, have fixed the price of steel for us consumers. For my business, this could not have come at a worse time.

Currently there are 5 manufacturers of Korean made refrigerators and freezers sending product to the U.S. (name them)! They are making these with foreign currency (cheap & manipulated), foreign labor (cheap) and foreign steel. They do not have taxes, duties, or domestic tariffs to worry about. The price of steel did not go up 54% in 2002 and they are not paying a 34% premium in 2003. They are in the process of taking large shares of the market by selling under our costs. Meanwhile, my government is helping raise the costs of my metal. It does not make any sense to me. We talk about needing more manufacturing jobs in our country, yet, in the Commercial Reach-In Refrigerator business it looks like we are turning the business over to the Koreans. Why are we doing this? I feel if you are going to protect our steel industry then why not protect the users of steel. We outnumber them by 50 to 1!

To conclude, you need to act and you need to act now! Manufacturing jobs are leaving at a rapid rate. All of my Korean competitors have asked to sell refrigerators to me. Should I look into this? Should I take our manufacturing jobs to Mexico, Korea – how about China? This seems to be the message that is being sent! I am asking to be able to compete – compete on a level playing ground. If my foreign competitors can buy foreign steel, then let me buy foreign steel. Otherwise, put a tariff on products shipped into the United States that are made with foreign steel. We are forced to compete in our own country with foreign products made with materials that we cannot purchase. The foreign competition is selling at under our costs and are taking our market share. How can this be healthy for steel producers? It cannot! The time has come when our government has to let each industry operate in a way that they know best and let us see if we can reverse the flow of manufacturing jobs out of this country.

Thank you